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EXCISE

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ACTION AF-18

INFO OCT-01 SS-20 NSC-10 L-04 CIAE-00 INR-07 NSAE-00
RSC-01 E-15 COM-08 TRSY-11 RSR-01 INT-06 /102 W
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R 251247Z AUG 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 6791
INFO USINT ALGIERS

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cf DATE 8/7/81
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L TRIPOLI 2028

SUBJ: GULF RELINQUISHMENT

REF: TRIPOLI 1875 AND 624

1. [redacted] GULF HAS NOTIFIED MINISTRY PETROLEUM OF ITS INTENTION TO RELINQUISH CONCESSIONS 66, 67 AND 68. PETROLEUM LAW REQUIRES THREE MONTHS NOTICE FOR VOLUNTARY RELINQUISHMENT, AND GULF HAS SPECIFIED NOVEMBER 30 AS TURNOVER DATE. GULF'S DECISION TO WITHDRAW FROM LIBYA MADE IN RESPONSE TO MINISTRY'S DECLARATION OF GULF'S 1959 DISCOVERY IN CONCESSION 66 AS COMMERCIAL -- FORCING HIGHER SURFACE RENT PAYMENTS AS OUTLINED REFTELS. GULF THUS FORCED TO DECIDE BETWEEN PRODUCING OR RELINQUISHING FIELD AND CONCLUDED UNCERTAINTIES OVER POSTED PRICE AND OTHER FACTORS AFFECTING COSTS MADE INVESTMENT OF $25-30 MILLION IN DEVELOPMENT DRILLING AND PIPELINE CONSTRUCTION COMMERCIALLY UNSOUND. IN WITHDRAWING FROM LIBYA, GULF IS WRITING OFF ABOUT $30 MILLION IN PRIOR INVESTMENT AND RENTAL PAYMENTS.

2. HAVING MADE THIS DECISION, GULF IS STRIVING TO CONCLUDE ITS AFFAIRS IN ORDERLY AND AMICABLE FASHION. COMPANY'S PRINCIPAL ASSETS ARE ABOUT $350,000 IN DRILLING SUPPLIES, WHICH IT IS OFFERING AT COST TO LNOC. GULF MANAGER HOPES TO DISPOSE OF ASSETS, CLOSE OFFICE AND LEAVE LIBYA BEFORE NOVEMBER.

3. DURING ITS LAST-MINUTE ABORTIVE EFFORT TO INTEREST LNOC IN JOINT VENTURE, GULF GAINED IMPRESSION LNOC ANXIOUS TO TAKE TITLE TO CONCESSIONS AND BEGIN DEVELOPMENT ASAP. RECENT REPEATED OFFICIAL MENTION THAT LONG-MOOTED WESTERN PIPELINE WOULD BE UNDERTAKEN SOON

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PROBABLY RELATED TO PRESSURE ON GULF. WAY NOW SEEMS CLEAR FOR LNOC TO GAIN DIRECT ACCESS TO CRUDE SUPPLY. AS NOTED IN TRIPOLI 624, RELINQUISHED FIELD IN CONCESSION 66 IS LIKELY PROSPECT FOR LNOC-SONATRACH JOINT VENTURE, FOR WHICH GULF'S PRIOR INVESTMENT WOULD BE LIBYA'S CONTRIBUTION WHILE SONATRACH COULD SUPPLY DEVELOPMENT SERVICES. GULF CALCULATES ADDING 20 WELLS TO EXISTING 18 WOULD PROVIDE INITIAL CAPACITY OF ABOUT 35,000 B/D OF 38 GRAVITY, LOW SULFUR OIL.

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